

Message Text

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46

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 NEAE-00 AID-05 CIAE-00 FRB-03

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AMCONSUL DHAHRAN

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E.O. 11652: N/A

TAGS: BENC, BBAK, SA

SUBJECT: U.S. FIRMS TO GET MAJOR YENBO CONTRACTS

1. ROBERT H. KNIGHT, REPRESENTATIVE OF SHERMAN AND STIRLING, 53 WALL STREET, N.Y., WORLDWIDE LEGAL COUNSELORS FOR SAUDI ROYAL COMMISSION ON JUBAYL AND YENBO, INFORMED EMBASSY THAT SAG HAS LET OUT SOME CONTRACTS ON THE \$15 BILLION YENBO PROJECT. HAPPILY, U.S. FIRMS HAVE DOMINATED. PRIME CONTRACTOR IS RALPH K. PARSONS COMPANY. OTHER U.S. FIRMS INVOLVED ARE ARTHUR D. LITTLE, DAMES AND MOORE, SKIDMORE, OWINGS AND MERRILL AS ARCHITECTS, AND TETRA TECH, A FIRM IN WHICH PRESCOTT BUSH IS INVOLVED.

2. KNIGHT STATED THAT INFORMATION IS NOT YET FOR PUBLIC CONSUMPTION AND REQUESTED IT BE CLOSELY HELD FOR TIME BEING. THIS CONFIRMS INFORMATION FROM ANOTHER SOURCE THAT RALPH K. PARSONS COMPANY HAD GOTTEN THE PROJECT. KNIGHT STATED THAT THERE WERE ABOUT EIGHT OTHER FIRMS IN THE RUNNING FOR PRIME CONTRACT ON THE YENBO INDUSTRIAL PROJECT. ROYAL COMMISSION TOOK NO BIDS; ISSUED NO TENDER. LIST NARROWED DOWN TO PARSONS AND REMAINDER ARE SUBSTANTIVE SUB-CONTRACTORS, ALL APPROVED

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BY ROYAL COMMISSION.

4. ALTHOUGH CURRENT YENBO COST IS \$15 BILLION (1974 FIGURE), KNIGHT CONCURS WITH OUR VIEW THAT WITH INFLATION AND OTHER FACTORS, PLUS AMPLIFACATION OF ORIGINAL PLAN, PROJECT COULD DOUBLE IN COST.

5. CONSIDERING FACT THAT YENBO PROJECT WAS TARGET OF GERMANS AND REPORTEDLY WAS PRIME COMMERCIAL OBJECTIVE IN RECENT VISIT OF CHANCELLOR SCHMIDT, AS WELL AS JAPANESE, BRITISH AND OTHER COMPETITION, THIS IS A CONSIDERABLE GAIN FOR U.S. INTERESTS. THE RECENT DECREASE IN PERFORMANCE GUARANTEE REQUIREMENTS FROM 10 TO 5 PERCENT SHOULD ALSO HELP U.S. CONSTRUCTION FIRMS IN THIS PROJECT.
PORTER

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